

CAN DO CANINES
(A Non-Profit Corporation)

Audited Financial Statements
Year ended December 31, 2016
(With comparative totals for 2015)

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Kneisl & Associates, Ltd.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
CAN DO CANINES
Minneapolis, Minnesota

We have audited the accompanying financial statements of **CAN DO CANINES** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015 and related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **CAN DO CANINES** as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United State of America.

A handwritten signature in blue ink, appearing to be 'Kneisl', written over a horizontal line.

Kneisl & Associates Ltd

Forest Lake, MN
June 22, 2017

CAN DO CANINES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 1,276,035	\$ 991,508
Pledges receivable	75,830	341,376
Prepays & inventory	9,636	9,120
Total current assets	1,361,501	1,342,004
Pledges receivable- long term	132,417	152,366
PROPERTY AND EQUIPMENT		
Vehicles & equipment	189,059	153,092
Land and building	3,489,031	3,450,365
Less accumulated depreciation	(732,268)	(638,981)
	2,945,822	2,964,476
TOTAL ASSETS	4,439,740	4,458,846
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of ltd	-	276,729
Accounts payable - trade	37,927	36,910
Deferred earned income	-	28,750
Accrued expenses	42,815	38,526
Total current liabilities	80,742	380,915
NET ASSETS		
Unrestricted net assets	4,150,752	3,584,191
Temporarily restricted	208,247	493,740
Total net assets	4,358,999	4,077,931
TOTAL LIABILITIES AND NET ASSETS	\$ 4,439,740	\$ 4,458,846

the accompanying footnotes are an integral part of these financial statements

CAN DO CANINES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
DECEMBER 31, 2016 AND 2015

	2016			2015
	Unrestricted	Temporarily restricted	total	
PUBLIC SUPPORT AND REVENUE				
Public support				
Individual & corporate	\$ 634,269	\$ 201,889	\$ 836,158	507,236
Service clubs donations	167,425	-	167,425	170,272
Foundations grants	404,012	-	404,012	316,490
Federated fundraisers	84,931	-	84,931	66,992
Earned income - net	62,755	-	62,755	29,553
Special events - net	344,028	-	344,028	244,516
In-kind contributions	104,643	-	104,643	123,858
Total public support	<u>1,802,062</u>	<u>201,889</u>	<u>2,003,951</u>	<u>1,458,917</u>
Investment income (loss)	(930)	-	(930)	(202)
Net assets released from restrictions	<u>487,382</u>	<u>(487,382)</u>	<u>-</u>	<u>-</u>
Total support and revenue	2,288,514	(285,493)	2,003,021	1,458,715
EXPENSES				
Program expenses	1,436,689	-	1,436,689	1,235,479
Support services				
Management and general	106,524	-	106,524	74,738
Fundraising	178,741	-	178,741	145,811
Total support services	<u>285,265</u>	<u>-</u>	<u>285,265</u>	<u>220,549</u>
Total expenses	<u>1,721,954</u>	<u>-</u>	<u>1,721,954</u>	<u>1,456,028</u>
INCREASE IN NET ASSETS	566,561	(285,493)	281,068	2,687
NET ASSETS - BEGINNING	<u>3,584,191</u>	<u>493,740</u>	<u>4,077,931</u>	<u>4,075,244</u>
NET ASSETS - ENDING	<u>\$ 4,150,752</u>	<u>\$ 208,247</u>	<u>\$ 4,358,999</u>	<u>\$ 4,077,931</u>

The accompanying notes are an integral part of these financial statements.

CAN DO CANINES
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2016 AND 2015

	Supporting Services			Total Supporting Services	Totals	
	Program Services	Admin	Fundraising		2016	2015
Salaries and wages	855,684	54,902	89,926	144,828	\$ 1,000,512	\$ 802,813
Payroll fringes	196,344	11,415	20,548	31,963	228,307	176,443
Total salaries and fringes	<u>1,052,028</u>	<u>66,317</u>	<u>110,474</u>	<u>176,791</u>	<u>1,228,819</u>	<u>979,256</u>
Dog acquisitions	19,845	-	-	-	19,845	24,150
Vet, trainers & interpreters	65,104	-	-	-	65,104	56,428
Dog supplies	68,893	-	-	-	68,893	65,032
Accounting & legal	4,900	500	500	1,000	5,900	5,755
Consultants	-	-	14,015	14,015	14,015	15,888
Internet and phone	10,996	639	1,151	1,790	12,786	9,386
Occupancy	31,337	1,822	3,279	5,101	36,438	46,833
Interest	-	-	-	-	-	15,772
Administrative & general office	58,682	3,412	6,141	9,553	68,235	65,768
Printing & publications	0	26,825	26,826	53,651	53,651	51,706
Travel & vehicle costs	31,731	1,845	3,321	5,166	36,897	22,401
Education	4,268	500	500	1,000	5,268	5,284
Promotion	(0)	-	4,138	4,138	4,138	2,816
Pledge write offs	8,680	-	-	-	8,680	-
Total exps before depreciation	<u>1,356,463</u>	<u>101,860</u>	<u>170,345</u>	<u>272,205</u>	<u>1,628,668</u>	<u>1,366,475</u>
Depreciation	80,226	4,664	8,396	13,060	93,286	89,553
Total expenses	<u>\$ 1,436,689</u>	<u>106,524</u>	<u>178,741</u>	<u>285,265</u>	<u>\$ 1,721,954</u>	<u>\$ 1,456,028</u>

The accompanying notes are an integral part of these financial statements.

CAN DO CANINES
STATEMENT OF CASH FLOWS
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 281,068	\$ 2,687
Adjustments to reconciled net assets		
Depreciation	93,286	89,553
Changes in assets & liabilities:		
(increase) decrease in grants receivable	285,495	287,554
(increase) decrease in inventory	(516)	287
increase (decrease) in accounts payable	1,017	(5,960)
increase (decrease) in accruals	(24,461)	35,797
Net cash from operations	<u>635,889</u>	<u>409,918</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	(74,633)	(31,658)
	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(74,633)</u>	<u>(31,658)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Debt on building	<u>(276,729)</u>	<u>(275,000)</u>
 NET INCREASE (DECREASE) IN CASH	284,527	103,260
 CASH - BEGINNING	<u>991,508</u>	<u>888,248</u>
 CASH - ENDING	<u><u>\$ 1,276,035</u></u>	<u><u>\$ 991,508</u></u>

The accompanying notes are an integral part of these financial statements.

Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PROGRAM SERVICES

The organization was incorporated in 1987 and is dedicated to enhancing the quality of life for people with disabilities by creating mutually beneficial partnerships with specially trained dogs. Initially the Organization worked with all shelter dogs, and provided services for deaf clients. In 1995, they expanded programs to serve people with physical disabilities . The Organization’s service area includes both Minnesota and Wisconsin.

In recent years, they added new services, providing assistance dogs to children with autism, people with type-1 diabetes complicated by hypoglycemia unawareness and people with seizure disorders. At the end of 2009 they adopted a new name—Can Do Canines—to better reflect the increased services and expanded service area.

The programs have expanded to obtaining dogs from shelters, accepting donated puppies and dogs, breeding their own dogs and participating in an international breeding cooperative comprised of similar assistance dog organizations. Puppies continue to be raised by volunteer puppy raisers and now are also raised and trained in four prisons across Minnesota.

The dogs, professional training, interpreting, obedience instruction, medical care and other supplies are provided to qualified applicants at no charge.

In 2009, the organization acquired a four-acre property in New Hope Minnesota, began rehabilitation of the existing structure, created office, meeting and training space to accommodate more than 30 employees and added kennel facilities with a maximum capacity of 50 dogs. The fully accessible 20,000 square foot facility was occupied in 2010 and rehabilitation was completed in 2013. Contributions and pledges combined to eliminate the contract of deed debt in 2016.

BASIS OF ACCOUNTING

The organization uses the accrual basis of accounting.

PLEDGES RECEIVABLE

Receivables consist mainly of amounts due for pledges made. No allowance for doubtful accounts has been provided. Receivables are written off directly after they are considered uncollectable.

Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUE RECOGNITION

Contributions are recognized as revenue when they are received or unconditionally pledged. Unconditional pledges are recorded as income in the year in which verified evidence of the pledges is received. Pledges payable in future periods are considered time-restricted. These pledges are recorded as temporarily restricted receivables, at their present value, until they are paid.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets. When the restriction expires i.e. when a stipulated time ends or purpose is accomplished, the restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets.

ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

FINANCIAL STATEMENT PRESENTATION

The organization adopted Statement of Financial Accounting Standards No. 117, Financial Statements of Not-For-Profits Organizations. As such, all information regarding its financial position and activities are reported within three classes of net assets:

Unrestricted – Assets over which the board of directors has discretionary control

Temporally restricted – Assets subject to donor imposed restrictions in terms of time or purpose.

Permanently restricted – Assets subject to donor requirement are to be maintained permanently.

PROPERTY AND EQUIPMENT

Furniture and equipment is recorded at cost or fair market value at time of donation. Depreciations is computed using the straight-line method over estimated useful life of 3 to 10 years. The cost of maintenance is expensed as incurred and significant improvements are capitalized. The building is depreciated over its estimated life of 31.5 years.

Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

DONATED SERVICES AND MATERIALS

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that enhance non-financial assets are recorded at their fair value. The organization received donations of 16 dogs in 2016 estimated at \$19,845 and received donations of 15 dogs in 2015 estimated at \$24,150. All dog costs are expensed when received.

CONCENTRATIONS

The Organization maintains its cash in interest bearing accounts at financial institutions and at various times the balance may exceed the federal deposit insurance amount.

There are no significant donors in 2016 or 2015. The largest contributor in 2015 comprised 5% of total support.

SUBSEQUENT EVENTS

The Organization was evaluated for material subsequent events through June 1, 2017, the date the financial statements were issued.

NOTE 2 – INCOME TAXES

The organization is exempt from taxes under Internal Revenue Code Section 501 (c) (3). As such, all contributions to the organizations qualify as a charitable deduction by the donor.

NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES

The cost of programs and supporting services has been summarized on a functional basis. Salaries and related expenses are allocated to program and services based on the actual time spent on each program. The remaining expenses are specifically allocated whenever practical, and when this is impractical, are allocated on the best estimate of management.

NOTE 4 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Assets were released from restriction in 2016 and 2015 in the amount of \$487,382 and \$586,123 respectively.

Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 5 – DONATED SERVICES AND PROPERTY

The organization recorded in-kind contributions of \$104,643 and \$123,858 in 2016 and 2015, respectfully. These contributions are comprised of the following:

	<u>2016</u>	<u>2015</u>
Veterinarian services	\$ 25,492	\$ 19,039
Dogs & supplies	29,507	46,203
Equipment & vehicles	1,000	1,000
Office supplies & other	20,384	18,953
Prizes	<u>28,260</u>	<u>38,663</u>
	<u>\$104,643</u>	<u>\$ 123,858</u>

The organization receives significant amounts of donated services from substantial numbers of unpaid volunteers who assist in the program services of the organization.

NOTE 6 – PENSION PLAN

The organization has established a defined contribution plan covering all full time employees who have completed one year of service and have attained the age of 18 years. The contribution is discretionary and is determined each year by the board. For the years ended December 31, 2016 and 2015 organization contributions to the plan were \$ 21,308 and \$14,940 respectively.

NOTE 7 – LONG TERM DEBT

Long term debt outstanding at December 31, is as follows:

	<u>2016</u>	<u>2015</u>
A \$1,230,019 contract for deed initiated June 2009 payable to building seller with interest only payments of 5.0% per annum through June 2016 and 6% then after. Note was paid in full in 2016. Note was secured by the building and included accrued interest.	\$ 0	\$276,729

NOTE 6 – LEASES

The organization leases a copy machine under a noncancellable 60 month operating lease. Total cost for the lease was \$1,994 for 2016. The future minimum lease payment is \$7,968.

Kneisl & Associates, Ltd.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

To the Board of Directors
CAN DO CANINES

We have audited the financial statements of **CAN DO CANINES** as of and for the year ended December 31, 2016, and have issued our report thereon dated June 22, 2017.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the organization for the period ended December 31, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the organization is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and the transactions are executed in accordance with managements' authorization and recorded properly to permit the preparation of financial statements in accordance with the income tax basis. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material matters involving the internal control structure that we consider to be material weaknesses as defined above.

This report is intended for the information of the organization.


KNEISL & ASSOCIATES, LTD.
June 22, 2017